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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

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(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended February 29, 1992

OR

APR 20 1992

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-10023

(3)

PROCESSED BY
APR 30 1992

SUDBURY, INC.
(Exact name of Registrant as specified in its Charter)

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

Delaware	34-15
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

23300 Science Park Drive, Suite 250
Cleveland, Ohio 44122
(Address of Principal Executive Office) (Zip Code)

Registrant's Telephone Number, including Area Code: (216) 464-7026

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No _____

Indicate the number of shares outstanding of each of the Issuer's classes of Common Stock, as of February 29, 1992.

Common Stock, $0.01 Par Value	13,106,796
Class	Number of Shares

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SUDBURY, INC. AND SUBSIDIARIES

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PART I, ITEM 1 - FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS

SUDBURY, INC. AND SUBSIDIARIES

ASSETS

(Dollars in thousands)

	FEBRUARY 29, 1992 (UNAUDITED)	MAY 31, 1991 (AUDITED)
CURRENT ASSETS		
Cash	$ 4,269	$ 13,111
Accounts receivable, net of allowance	10,274	44,192
Refundable federal income taxes		3,376
Inventories:		
Finished products and work in process	6,710	24,852
Raw materials and supplies	5,170	17,021
	11,880	41,873
Prepaid expenses and other	1,861	5,012
TOTAL CURRENT ASSETS	28,284	107,564
PROPERTY, PLANT AND EQUIPMENT		
Land and land improvements	1,282	3,782
Buildings	9,658	37,188
Machinery and equipment	32,440	100,006
	43,380	140,976
Less accumulated depreciation	15,682	45,020
TOTAL PROPERTY, PLANT AND EQUIPMENT	27,698	95,956
OTHER ASSETS		
Intangibles arising from business acquisitions	7,187	11,874
Deferred charges		4,358
Investment in and note receivable from joint venture	9,649	9,556
Net assets of businesses held for sale	73,530	4,183
Intangible pension asset		1,008
Investments and other assets	1,412	2,572
TOTAL OTHER ASSETS	91,778	33,551
TOTAL ASSETS	$147,760	$237,071

See notes to condensed consolidated financial statements.

PART I, ITEM 1 - FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS - (CONTINUED)

SUDBURY, INC. AND SUBSIDIARIES

LIABILITIES AND STOCKHOLDERS' DEFICIT

(Dollars in thousands, except share data)	FEBRUARY 29, 1992 (UNAUDITED)	MAY 31, 1991 (AUDITED)
CURRENT LIABILITIES		
Trade accounts payable	$ 4,100	$ 20,301
Accrued compensation and employee benefits	4,350	15,416
Accrued interest	525	4,218
Contingent payments to former owners of acquired businesses		1,584
Income taxes	914	613
Environmental reserves	8,106	8,162
Other accrued expenses	8,540	21,379
Current maturities of long-term debt	40,820	155,014
TOTAL CURRENT LIABILITIES	67,355	226,687
DEFERRED INCOME TAXES	1,394	1,394
ACCRUED PENSION COSTS		1,008
LONG-TERM DEBT	39,226	8,405
LIABILITIES DEFERRED PURSUANT TO PROCEEDINGS UNDER CHAPTER 11	86,990	
STOCKHOLDERS' DEFICIT		
Serial Preferred Stock - par value $0.01 per share; authorized 5,000,000 shares; outstanding - 94,535 shares at February 29, 1992 and May 31, 1991 (liquidation value $11,030 at February 29, 1992)	7,563	7,563
Common Stock - par value $0.01 per share; authorized 30,000,000 shares; outstanding 13,106,796 shares	131	131
Additional paid-in capital	57,509	57,509
Deficit	(112,408)	(65,626)
TOTAL STOCKHOLDERS' DEFICIT	(47,205)	(423)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$147,760	$237,071

See notes to condensed consolidated financial statements.

PART I, ITEM 1 - FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

SUDBURY, INC. AND SUBSIDIARIES

(Dollars in thousands, except per share)	THREE MONTHS ENDED FEBRUARY 29, 1992 (UNAUDITED)	FEBRUARY 28, 1991 (UNAUDITED)
Net sales:		
Continuing operations	$ 19,159	$ 20,187
Businesses held for sale	62,539	64,977
Total	81,698	85,164
Costs and expenses:		
Costs of products sold:		
Continuing operations	15,507	18,975
Businesses held for sale	57,478	63,264
Total	72,985	82,239
Selling and administrative expenses:		
Continuing operations	4,210	11,063
Businesses held for sale	6,739	9,593
Total	10,949	20,656
Special charges	31,339	44,126
OPERATING LOSS	(33,575)	(61,857)
Interest expense	(2,507)	(4,012)
Interest income	21	499
Loss before income taxes	(36,061)	(65,370)
Income tax expense (benefit)	36	(14,249)
NET LOSS	(36,097)	(51,121)
Preferred stock dividend requirement	64	169
NET LOSS APPLICABLE TO COMMON STOCK	$(36,161)	$(51,290)
Net loss per share:		
Primary and fully diluted	$ (2.76)	$ (3.97)
Weighted average number of outstanding shares of Common Stock (in thousands):		
Primary and fully diluted	13,107	12,924

See notes to condensed consolidated financial statements.

PART I, ITEM 1 - FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

SUDBURY, INC. AND SUBSIDIARIES

(Dollars in thousands, except per share)	NINE MONTHS ENDED FEBRUARY 29, 1992 (UNAUDITED)	NINE MONTHS ENDED FEBRUARY 28, 1991 (UNAUDITED)
Net sales:		
Continuing operations	$ 68,836	$ 69,593
Businesses held for sale	193,823	218,365
Total	262,659	287,958
Costs and expenses:		
Costs of products sold:		
Continuing operations	56,409	61,107
Businesses held for sale	174,628	198,406
Total	231,037	259,513
Selling and administrative expenses:		
Continuing operations	13,846	20,526
Businesses held for sale	19,961	25,098
Total	33,807	45,624
Special charges	34,726	44,126
OPERATING LOSS	(36,911)	(61,305)
Interest expense	(9,844)	(12,103)
Interest income	81	790
Loss before income taxes	(46,674)	(72,618)
Income tax expense (benefit)	108	(16,191)
NET LOSS	(46,782)	(56,427)
Preferred stock dividend requirement	348	507
NET LOSS APPLICABLE TO COMMON STOCK	$(47,130)	$(56,934)
Net loss per share:		
Primary and fully diluted	$ (3.60)	$ (4.42)
Weighted average number of outstanding shares of Common Stock (in thousands):		
Primary and fully diluted	13,107	12,878

See notes to condensed consolidated financial statements.

PART I, ITEM 1 - FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

SUDBURY, INC. AND SUBSIDIARIES

	NINE MONTHS ENDED	
	FEBRUARY 29, 1992 (UNAUDITED)	FEBRUARY 28, 1991 (UNAUDITED)
	(In thousands)	
OPERATING ACTIVITIES:		
Net loss	$(46,782)	$(56,427)
Items included not affecting cash:		
Depreciation and amortization	3,215	12,756
Deferred taxes and other	(308)	(8,757)
Special charges	30,240	44,126
Changes in operating assets and liabilities	8,810	8,067
Businesses held for sale - net activity	2,968	
NET CASH USED IN OPERATING ACTIVITIES	(1,857)	(235)
INVESTING ACTIVITIES:		
Property, plant and equipment additions:	(855)	(4,276)
Contingent payments to former owners of acquired businesses	(1,052)	(2,392)
Proceeds from sale of businesses	273	
Businesses held for sale - property, plant and equipment additions	(2,305)	
NET CASH USED IN INVESTING ACTIVITIES	(3,939)	(6,668)
FINANCING ACTIVITIES:		
Borrowings, refinancings and repayments:		
Short and long-term borrowings		45,974
Reductions of debt	(2,413)	(38,051)
Issuance of common stock		146
Businesses held for sale - reductions of debt	(633)	
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(3,046)	8,069
DECREASE IN CASH	(8,842)	1,166
Cash at beginning of year	13,111	3,475
CASH AT END OF PERIOD	$ 4,269	$ 4,641
Cash paid during the period		
- Interest	$ 5,853	$ 10,679
- Income taxes	91	184

See notes to condensed consolidated financial statements.

PART I, ITEM 1 - FINANCIAL STATEMENTS

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SUDBURY, INC. AND SUBSIDIARIES

NOTE A — PROCEEDINGS UNDER CHAPTER 11

On January 10, 1992 (the "Petition Date"), the Company filed a Voluntary Petition for Reorganization under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Ohio, Eastern Division, in Cleveland, Ohio (the "Bankruptcy Court"), and the Company is currently operating its business as a "debtor-in-possession" subject to the supervision of the Bankruptcy Court. It is currently contemplated that the subsidiaries of the Company will not file for protection under Chapter 11 of the Bankruptcy Code. The Chapter 11 filing was made to implement an agreement in principle reached by and among the Company, certain subordinated creditors and the Company's bank group, which is more fully discussed in Note C below.

As of the Petition Date, litigation against the Company is stayed and pre-petition indebtedness and other contractual obligations may not be enforced against the Company. In addition, the Company may reject pre-petition executory contracts and lease obligations, and parties affected by these rejections may file claims with the Bankruptcy Court. An unsecured creditors committee has been formed, and it is expected to participate in the reorganization process. Substantially all liabilities as of the Petition Date will be dealt with in accordance with a plan of reorganization which will be voted upon by classes of creditors and equity holders and submitted for approval to the Bankruptcy Court.

The accompanying consolidated financial statements have been prepared on a going concern basis which contemplates continuity of certain operations, realization of assets and liquidation of liabilities in the ordinary course of business. However, as a result of the Chapter 11 filing, such realization of assets and liquidation of liabilities are subject to uncertainty. While under the protection of Chapter 11, the Company may sell or otherwise dispose of assets and liquidate or settle liabilities at amounts other than those reflected in the consolidated financial statements. Further, a plan of reorganization could materially change the amounts and classifications reported in the consolidated historical financial statements, which do not give effect to any adjustment to the carrying value of assets or amounts of liabilities that might be necessary as a consequence of a plan of reorganization. The appropriateness of using the going-concern basis is dependent upon, among other things, confirmation of a plan of reorganization and the Company's ability to comply with its Cash Collateral Order and to maintain its debtor-in-possession financing as described in Note C below.

NOTE B — BASIS OF PRESENTATION

The condensed consolidated financial statements as of and for the three-month and the nine-month periods ended February 29, 1992 have not been audited. In the opinion of management, such condensed consolidated financial statements reflect all adjustments necessary for a fair presentation, subject to these notes. For further information, refer to the consolidated financial

statements and footnotes thereto included with the Company's annual report on Form 10-K for the year ended May 31, 1991. Certain amounts for May 31, 1991 have been combined or reclassified to conform with the February 29, 1992 classifications.

NOTE C — RESTRUCTURING

Since January 1991, the Company has been attempting to implement a financial restructuring. On January 10, 1992 the Company reached an agreement in principle (the "Restructuring Agreement") with its bank group and certain of its major subordinated creditors which forms the basis for a consensual restructuring. To implement the Restructuring Agreement, on January 10, 1992 the Company filed with the Bankruptcy Court a Voluntary Petition for Reorganization (of the Company only) under the provisions of Chapter 11 of the United States Bankruptcy Code. See Note A above.

As part of the Restructuring Agreement, the Company's bank group agreed to provide the Company with a debtor-in-possession credit facility (the "Credit Agreement") up to a maximum aggregate amount of $6 million. This Credit Agreement has been approved by the Bankruptcy Court and provides financing during the period the Company is in Chapter 11 in order to facilitate ongoing operations of the Company's businesses. The Company has affirmed the bank group's prior security interests, granted new security interests in substantially all of the Company's assets, and agreed to reduce its bank group obligations by $70 million by September 1993, largely through asset sales. In order to effect this indebtedness reduction, the Company intends to sell all but three of its businesses. See Note D.

Although the formal plan of reorganization has not been finalized, the Restructuring Agreement contemplates that once the Company emerges from bankruptcy proceedings, the Company's unsecured creditors will receive $10 million principal amount of new five-year subordinated notes and also will become owners of a significant majority of the new common equity of the Company. The Restructuring Agreement also contemplates that the current holders of preferred and common stock collectively would receive approximately 5% of new common equity, plus warrants to purchase additional new common equity (between 5% to 20%) in the event certain recovery levels for subordinated creditors are attained. Once the company emerges from bankruptcy proceedings, the Company's President and Chief Executive Officer, as part of his January 13, 1992 employment agreement, will receive five-year options to purchase (at nominal consideration) 10% of the Company's new common equity, and, if the fair market value of the Company exceeds certain targeted amounts on or before January 12, 1996, the right to purchase (at nominal consideration) an additional 5% of the Company's common equity plus additional significant cash consideration.

The Credit Agreement also requires that a plan of reorganization be confirmed by the Bankruptcy Court by September 30, 1992, or, subject to certain conditions, by November 20, 1992. However, the final form of any plan of reorganization is still uncertain, given the various constituencies involved, the other various claims to be resolved, the uncertainties surrounding the availability of sufficient cash to meet the Company's operating requirements and the ability to achieve the bank debt amortization schedule. If a restructuring substantially as now contemplated by the Restructuring Agreement cannot be achieved in this manner, the Company may be forced to consider other alternatives to resolve its current situation, which could involve some other form of reorganization or a liquidation of all of its assets.

NOTE D — BUSINESSES HELD FOR SALE

As a result of the Company's decision to sell all of its businesses other than Frisby Manufacturing, Industrial Powder Coatings and Iowa Mold Tooling Co., the balance sheets of the businesses intended to be sold have been condensed into the caption "Net Assets of Businesses Held for Sale" on the Company's February 29, 1992 balance sheet. The amount under this caption, $73,530,000, represents the following:

	(000's)
Accounts receivable	$ 41,291
Inventories	26,781
Prepaid expenses and other current assets	2,926
Property, plant and equipment - net	68,586
Other assets	6,578
Total assets	146,162
Current liabilities	(34,383)
Long-term debt	(4,828)
Accrued pension costs	(1,008)
Total liabilities	(40,219)
Reserves for loss on sales of businesses	(32,413)
Net assets of businesses held for sale	$ 73,530

The Company's statements of operations for the periods presented have also been restated to segregate net sales and related costs and expenses between continuing operations and businesses held for sale. Assuming successful completion of the asset sale program and related debt repayments, bank interest expense at current interest rates would be reduced by approximately $1,400,000 and $4,200,000 for the three month and nine month periods ended February 29, 1992, respectively.

The Company's statement of cash flows for the nine months ended February 29, 1992 also reflects this change with activity of the businesses held for sale being reported as a single line item in operating, investing and financing activities.

NOTE E — SPECIAL CHARGES

Included in the Company's operations for the three month and nine month periods ended February 29, 1992 were special charges of $31,339,000 and $34,726,000, respectively. Included in these amounts was a charge of $30,240,000 which was comprised of (a) $26,000,000 for reserves for potential losses on sales of businesses which are anticipated to be sold (b) $2,444,000 for the write-off of costs capitalized previously under the provisions of Statement of Financial Accounting Standards No. 96 "Accounting for Income Taxes" as they related principally to assets anticipated to be sold and (c) $1,796,000 for the write-off of deferred financing costs on the Company's bank and subordinated debt, which was deemed to have no ongoing value given the Company's Chapter 11 filing. The remainder of the special charges relates to consulting and other expenses incurred under the Company's restructuring program.

Special charges of $44,126,000 were recorded in the quarter ended February 28, 1991 and included $22,607,000 of write-downs of intangibles arising from business acquisitions where, in the opinion of management, the value of a business unit had been permanently impaired or it had been decided to sell the business unit and future realization of the related intangibles was doubtful. Also provided were charges of (a) $11,852,000 for the rationalization of certain of the Company's businesses where a decision had been made at that time to close down or consolidate an existing facility or discontinue a product line and (b) $8,067,000 for loss provisions anticipated to be realized for businesses which the Company then intended to sell. The remainder of the charges of $1,600,000 reflects a labor contract change to substitute lump sum retirement bonuses in lieu of future retiree health benefits at the Company's Decatur, Illinois foundry operation.

NOTE F — CURRENT MATURITIES OF LONG-TERM DEBT

Included in current maturities of long-term debt at February 29, 1992 are bank obligations of $40,000,000 due within one year pursuant to the Company's Credit Agreement. This amount, as well as an additional $37,900,000 owed to the bank group which is included in long-term debt, have not been included in the caption "Liabilities Deferred Pursuant to Proceedings Under Chapter 11" (see Note F) as the Credit Agreement which was confirmed by the Bankruptcy Court provides for the payment of these obligations.

PART I, ITEM 1 - FINANCIAL STATEMENTS

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SUDBURY, INC. AND SUBSIDIARIES

NOTE C — LIABILITIES DEFERRED PURSUANT TO PROCEEDINGS UNDER CHAPTER 11

As of February 29, 1992 the following was included in the caption "Liabilities Deferred Pursuant to Proceedings Under Chapter 11":

	(000's)
Convertible subordinated debenture	$46,000
Subordinated notes	25,000
Accrued interest	8,003
Acquisition notes	3,720
Retroactive insurance claim reserves	2,347
Contingent payments to former owners of acquired businesses	1,075
Accounts payable	405
Other	440
TOTAL	$86,990

The Bankruptcy Court has authorized payments of pre-petition medical and workers' compensation claims which were obligations at the Sudbury corporate level and which, for the most part, relate to the employees of the Company's subsidiaries.

NOTE H — CONTINGENCIES

The Company and/or its subsidiaries are parties to a number of lawsuits and claims which arise out of the conduct of its business and include claims relating to commercial transactions, product liability, environmental issues, and safety and health matters. The Company believes it has established adequate reserves for such contingencies; however, given the Company's financial condition, there can be no assurance the Company and/or its subsidiaries will have the ability to fund such reserves if, and when, the underlying contingencies are reduced to liquidated claims to be paid. To the extent these claims are made against the Company, it expects them to be treated and discharged pursuant to the plan of reorganization submitted for approval by the Bankruptcy Court.

NOTE I — PREFERRED STOCK DIVIDENDS IN ARREARS

The Company's Serial Preferred Stock has a dividend arrearage of $1,596,000 ($.12 per share) of which $125,000 was previously declared. The payment of the preferred dividends declared is currently suspended pursuant to the Chapter 11 proceedings as well as under the terms of various debt instruments of the Company. Additionally, the dividends not declared are expected to be discharged without recovery pursuant to the plan of reorganization to be submitted for approval by the Bankruptcy Court.

PART I, ITEM 2, MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SUDBURY, INC. AND SUBSIDIARIES

RESULTS OF OPERATIONS

The following business segment information is presented as an aid to a better understanding of the operating results of the Company as a whole:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	02/29/92	02/28/91	02/29/92	02/28/91
		(000's)		
Net sales:				
Industrial Products	$ 54,667	$ 56,260	$170,770	$195,510
Equipment and Systems	27,031	28,904	91,889	92,448
	$ 81,698	$ 85,164	$262,659	$287,958
Operating income (loss):				
Industrial Products:				
Before special charges	$ 816	$ (3,799)	$ 4,813	$ (1,105)
Special charges		(18,367)		(18,367)
	816	(22,166)	4,813	(19,472)
Equipment and Systems:				
Before special charges	(1,752)	(6,529)	(1,933)	(5,994)
Special charges		(17,692)		(17,692)
	(1,752)	(24,221)	(1,933)	(23,686)
Summary:				
Before special charges	(936)	(10,328)	2,880	(7,099)
Special charges		(36,059)		(36,059)
Total	(936)	(46,387)	2,880	(43,158)
Corporate expenses	(1,300)	(7,403)	(5,065)	(10,080)
Corporate special charges	(31,339)	(8,067)	(34,726)	(8,067)
Interest expense	(2,507)	(4,012)	(9,844)	(12,103)
Interest income	21	499	81	790
Loss before income taxes	$(36,061)	$(65,370)	$(46,674)	$(72,618)

While the Company is not highly seasonal, it does traditionally show higher sales and operating performance during its second and fourth fiscal quarters.

THREE MONTHS ENDED FEBRUARY 29, 1992 COMPARED WITH THREE MONTHS ENDED FEBRUARY 28, 1991

CONSOLIDATED. The Company's net sales in the third quarter of fiscal 1992 were $81.7 million as compared with $85.2 million in the third quarter of fiscal 1991. The net loss for the quarter was $36.1 million compared to a net loss of $51.1 million for the third quarter of fiscal 1991. Included in the net loss figures for fiscal 1992 and 1991 are special charges of $31.3 million and $44.1 million, respectively, which are comprised of the following:

	THREE MONTHS ENDED	
	February 29, 1992	February 28, 1991
	(000's)	
Reserves for loss on sales of businesses	$26,000	$ 8,067
Write-off of costs capitalized under Statement of Financial Accounting Standards No. 96 "Accounting for Income Taxes"	2,444	
Write-off of deferred financing costs	1,796	
Restructuring costs and expenses	1,099	
Write-off of intangibles		22,607
Business rationalization costs		11,852
Accrual for lump sum retirement bonuses in lieu of future retiree health benefits		1,600
TOTAL	$31,339	$44,126

The prior year results also reflect income tax benefits of $14.2 million as the Company utilized all of its net operating loss carrybacks in the prior year. The Company is currently in a loss carryforward position, however no tax benefits are being recorded due to uncertainty of their future recovery.

Corporate expenses decreased by $6.1 million from the prior year. This decrease was principally caused by the prior year's results including $3.6 million in increased insurance accruals, $.7 million in contingency accruals and $.3 million for operations consultants which were not incurred in the current period.

The operating loss of the business segments exclusive of special charges decreased to $.9 million from $10.3 million in the third quarter of fiscal 1991. The primary reasons for the decline in sales and decrease in operating losses are described by each segment as follows:

INDUSTRIAL PRODUCTS SEGMENT. Net sales in this segment of $54.7 million decreased from $56.3 million recorded in the third quarter of the prior year. Significant changes in this segment were experienced at (a) the Company's Houston, Texas lubricant and chemical processing facility which had a $3.9 million decrease in sales due to the prior year's results having significant shipments to the Department of Defense, which was due partially to the Persian Gulf War, that did not repeat in the current year, (b) a $1.5 million decrease in sales at the Company's lubricant and grease business in St. Paul, Minnesota due to the sale of certain product lines and lost business, (c) a net $2.4 million increase in sales in the Company's foundry operations due to increased demand, and (d) a $2.2 million increase in sales at the Company's powder coating facility due to increased automotive production rates on their products and new business.

Operating income increased by $4.6 million, of which $3.2 million reflected the Company's Decatur, Illinois foundry operations which had improved profitability from cost reduction efforts, a renegotiated labor contract and increased sales. While the Company continues to suffer from low sales levels, it has generally been able to reduce the break-even levels of many of its businesses.

To a significant degree, the profitability of this segment is dependent on the domestic automotive industry. During the fourth quarter of fiscal 1992, sales and operating profits in the Company's automotive businesses are expected to improve slightly over third quarter levels. The Company believes the outlook of the automotive industry beyond the fourth quarter remains uncertain. The Company's machining businesses in this segment are also being impacted by reductions in the supplier base of its automotive customers.

EQUIPMENT AND SYSTEMS SEGMENT. Net sales in this segment of $27.0 million decreased from $28.9 million recorded in the third quarter of the prior year. This decrease was principally caused by declines in the Company's waste and material handling equipment businesses which continue to be impacted by sluggish construction and general economic activity. Partially offsetting these declines were three large machine tool orders which are being built by two of the Company's machine tool businesses to be used in NASA's new space shuttle program.

The operating loss of this segment decreased by $4.8 million due primarily to the prior year results including (a) $2.0 million of loss provisions for additional costs to complete long-term fixed price contracts at two units, (b) $1.7 million of reserves for uncollectible receivables, (c) $.4 million for payment to the U.S. Government in settlement of matters which occurred prior to the purchase of a subsidiary, and (d) $.8 million from various other loss provisions, as well as from reduced volume levels at the Company's waste and material handling equipment businesses discussed previously.

The profitability of this segment for the remainder of fiscal 1992 will be largely dependent on (a) the general economic conditions of the construction and waste-hauling industries and (b) the segment's ability to perform under long-term fixed price contracts. The Company believes that the outlook for the construction and waste-hauling industries for the remainder of fiscal 1992 remains uncertain. The Company expects no significant change on its performance on its long-term fixed price contracts.

NINE MONTHS ENDED FEBRUARY 29, 1992 COMPARED WITH NINE MONTHS ENDED FEBRUARY 28, 1991

CONSOLIDATED. The Company's net sales in the first nine months of fiscal 1992 were $262.7 million as compared with $288.0 million for the same period in fiscal 1991. The net loss for the period was $46.8 million compared to a net loss of $56.9 million for the same period in fiscal 1991. Special charges included in operating results for the nine month periods in fiscal years 1992 and 1991 were $34.7 million and $44.1 million, respectively. The principal portions of these charges were discussed previously under results for the quarter. The prior year also reflects an income tax benefit of $16.2 million.

Operating income of the business segments exclusive of special charges increased to $2.9 million from a loss of $7.1 million in the first nine months of fiscal 1991. The primary reasons for the decline in sales and increase in operating profits are described by each segment as follows:

INDUSTRIAL PRODUCTS SEGMENT. Net sales in this segment of $170.8 million decreased from $195.5 million recorded in the same period of the prior year. Significant changes in this segment occurred at (a) the Company's Houston, Texas lubricant and chemical processing facility which had a $8.5 million decrease in sales due to the prior year's results having significant shipments to the Department of Defense, which was due partially to the Persian Gulf War, that did not repeat in the current year and (b) a $7.2 million decrease in sales at the Company's lubricant and grease business in St. Paul, Minnesota due to the sale of certain product lines and lost business. Almost all of the remaining companies in this segment were negatively impacted by the current economic conditions, particularly those businesses serving the domestic automotive market, which is the principal market for this segment. Businesses serving the computer, appliance and aerospace markets also experienced decreases in sales during the period.

Operating income increased by $5.9 million, which reflected a $6.3 million increase in profitability at the Company's Decatur, Illinois foundry operations as a result of cost reductions, increased sales and a $.5 million benefit from the termination and settlement of one of its pension plans, which was partially offset by the impact of reduced sales volumes at other businesses.

EQUIPMENT AND SYSTEMS SEGMENT. Net sales in this segment decreased from $92.4 million to $91.9 million in the first nine months of fiscal 1992. After eliminating $4.6 million of the prior period's sales for a subsidiary which was sold in the prior year comparable sales increased by $4.1 million. This increase was principally caused by (a) three large machine tool orders which are being built by two of the Company's machine tool businesses to be used in NASA's new space shuttle program and (b) several large equipment orders received by the Company's material handling business in the first quarter of fiscal 1992 from customers who were involved in fighting the Kuwaiti oil fires in the wake of the Persian Gulf War. Partially offsetting these increases were declines in the Company's waste equipment businesses which continue to be impacted by sluggish construction and general economic activity.

The operating loss of this segment decreased by $4.1 million due principally to various loss provisions recorded in the third quarter of the prior year discussed previously.

LIQUIDITY AND CAPITAL RESOURCES

Since January 1991, the Company has been in the process of attempting to implement a financial restructuring. As part of that process, on January 10, 1992 the Company reached an agreement in principle (the "Restructuring Agreement") with its bank group and certain of its major subordinated creditors which forms the basis for a consensual restructuring. To implement the Restructuring Agreement, on January 10, 1992 the Company filed with the United States Bankruptcy Court a Voluntary Petition for Reorganization (of the Company only) under the provisions of Chapter 11 of the United States Bankruptcy Code. Prior to this filing, the Company was in default on its bank loan agreement for failure to make term loan payments totalling $12.9 million and to comply with most of its financial covenants. In addition, the Company was also in default with the majority of its subordinated creditors for failure to make interest and principal payments totalling $8.0 million. The Chapter 11 filing stays all litigation against the Company and prohibits the payment of Company obligations outstanding as of January 10, 1992.

As part of this Restructuring Agreement, the Company's bank group agreed to provide the Company with debtor-in-possession financing up to a maximum aggregate amount of $6 million, subject to borrowing base formulas (the "Credit Agreement"). All of the $6 million is currently available to the Company. The $6 million of debtor-in-possession financing will be reduced to $4 million on August 31, 1992 and to $2 million on October 5, 1992 and is scheduled to be fully repaid by December 18, 1992.

The Credit Agreement also calls for the reduction of current bank group obligations by $70 million by September 1993, to be accomplished largely through asset sales, with minimum amortization requirements of $5 million by June 1, 1992, $5 million by August 17, 1992, $10 million by October 5, 1992, $20 million by December 31, 1992, $20 million by May 31, 1993 and $10 million by September 30, 1993. There can be no assurance that the Company will effect asset sales in amounts as to satisfy such amortization requirements.

In order to meet the $70 million mandatory bank repayment obligations, the Company has decided to sell all of its businesses other than Frisby Manufacturing Co., Industrial Powder Coatings and Iowa Mold Tooling Co. The ability to retain these three businesses will be largely dependent on the generation of sufficient proceeds from the sale of its other businesses to repay bank indebtedness, which is uncertain at this time. In order to facilitate the asset sale program, the Company has engaged the services of several investment banks. Although no businesses have been sold to date, the Company is in substantive discussions with potential purchasers of several of its businesses. Depending on the Company's cash position, amortization payments potentially could be made by using existing cash and/or debtor-in-possession financing, although there can be no assurance in that regard.

Although the formal plan of reorganization has not been finalized, the Restructuring Agreement contemplates that once the Company emerges from bankruptcy proceedings, the Company's unsecured creditors will receive $10 million principal amount of new five-year subordinated notes and also will become owners of a significant majority of the new common equity of the Company. The Restructuring Agreement also contemplates that the current holders of preferred and common stock collectively would receive approximately 5% of new common equity, plus warrants to purchase additional new common equity in the event certain recovery levels for subordinated creditors are attained. Once the company emerges from bankruptcy proceedings, the Company's President and Chief Executive Officer, as part of his January 13, 1992 employment agreement, will receive five-year options to purchase (at nominal consideration) 10% of the Company's new common equity, and, if the fair market value of the Company exceeds certain targeted amounts on or before January 12, 1996, the right to purchase (at nominal consideration) an additional 5% of the Company's common equity plus additional significant cash consideration.

For the first nine months of fiscal 1992, operating activities used cash of $1.9 million compared to cash usage of $.2 million in the same period of fiscal 1991. The use of cash in the current period was primarily caused by operating losses partially offset by reductions in working capital arising from the receipt of a $3.4 million federal income tax refund in September 1991 and reductions in inventory.

Capital expenditures were $3.2 million (of which $.9 million relates to continuing operations) in the first nine months of fiscal 1992 compared with $4.3 million for the same period last year. The reduction in capital expenditures was the result of the Company's efforts to maintain liquidity. The Company anticipates that capital expenditures will continue at a low level to maintain liquidity and to comply with the Credit Agreement, which limits capital expenditures to $3.5 million in calendar 1992 and $2.5 million in the first nine months of calendar 1993.

The Company currently is authorized to use its cash collateral, pursuant to an order of the Bankruptcy Court, provided certain conditions are met. While the Company believes it can meet its cash requirements with the current $6 million debtor-in-possession financing, there can be no assurance in this regard since its cash needs will be largely predicated upon a variety of factors, primarily (a) general economic conditions, (b) which assets are sold and (c) the cash flow characteristics of those assets sold, all of which are uncertain at this time.

The Credit Agreement also requires that a plan of reorganization be confirmed by the Bankruptcy Court by September 30, 1992, or, subject to certain conditions, by November 20, 1992. However, the final form of any plan of reorganization is still uncertain, given the various constituencies involved, the other various claims to be resolved, the uncertainties surrounding the availability of sufficient cash to meet the Company's operating requirements and the ability to achieve the bank debt amortization schedule. If a restructuring substantially as now contemplated by the Restructuring Agreement cannot be achieved in this manner, the Company may be forced to consider other alternatives to resolve its current situation, which could involve some other form of reorganization or a liquidation of all of its assets.

PART II OTHER INFORMATION

Item 1. - LEGAL PROCEEDINGS

All legal proceedings involving claims against the Company were stayed as a result of the Company's filing on January 10, 1992 with the United States Bankruptcy Court, Northern District of Ohio of a voluntary petition for reorganization under the provisions of Chapter 11 of the U. S. Bankruptcy Code. For a discussion of the Chapter 11 filing, see Notes A and C to the Consolidated Financial Statements and the Liquidity and Capital Resources discussion under Part I, Item 2, Management's Discussion and Analysis of Financial Conditions and Results of Operation. This filing was for the Company only and did not include any of its subsidiaries.

On January 21, 1991 John H. Escott, Sr. and John H. Escott, Jr. current officers of the Company's wholly-owned subsidiary Galbreath Escott, Inc., filed an action in the United States District Court for the Northern District of Texas of Fort Worth Division against certain present and former directors of the Company. The action alleges that misleading representations and omissions of material facts were made to the plaintiffs in connection with the Company's 1988 acquisition of Metal Fabricating Company, then owned by the plaintiffs. The complaint alleges violation of Section 10(b) of the Securities Exchange Act of 1934, common law fraud, breach of contract, breach of warranty, and violation of the so-called RICO statute, 18 U.S.C. §1962(c) against all the defendants. The plaintiffs seek actual, incidental and consequential damages in excess of $60 million, punitive damages in excess of $10 million and treble damages pursuant to RICO in excess of $13.5 million, as well as reimbursement of costs and expenses of the suit.

On March 9, 1992, the Company commenced an adversary proceeding within its bankruptcy case relating to the Escott action described above and the Lake action described in the Company's Annual Report on Form 10-K for the Fiscal Year Ended May 31, 1991. The Company's action was in the form of a request to enjoin the plaintiffs in such actions from proceeding in any manner in their suits against the current or former officers and directors of the Company. The Company believes that both the Lake and Escott suits are without merit and will vigorously defend these actions.

Item 3. - DEFAULTS UPON SENIOR SECURITIES

(a) The Company is in default under the provision of various covenants related to its $78 million of senior secured bank debt; however, the applicability of such covenants has been suspended under the terms of the Company's debtor-in-possession credit facility. The Company has also failed to pay approximately $8 million in interest due its $25 million subordinated noteholders and $46 million convertible subordinated debentureholders.

(b) The Company is in arrears on its preferred stock dividends as set forth in Part I, Note I - Preferred Stock Dividends in Arrears.

PART II OTHER INFORMATION - Continued

Item 6. - EXHIBITS AND REPORTS ON FORM 8-K

(11) Statement re Computation of Per Share Earnings

(b) Reports on Form 8-K

During the quarter ended February 29, 1992, and through the date hereof, the Company filed no reports on Form 8-K.

EXHIBIT INDEX

Exhibit		Sequential Page Number
(11)	Statement re: Computation of Per Share Earnings	23

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SUDBURY, INC.
(Registrant)

By: Thomas M. Lynch
Thomas M. Lynch
Executive Vice President
Chief Financial Officer

By
Jacques R. Sardas
President
& Chief Executive Officer

Date: April 17, 1992

EXHIBIT 11 - STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS

SUDBURY, INC.

	THREE MONTHS ENDED	
	FEBRUARY 29, 1992 (UNAUDITED)	FEBRUARY 28, 1991 (UNAUDITED)
	(In thousands, except per share amounts)	
PRIMARY EARNINGS PER SHARE		
Weighted average shares of outstanding Common Stock	13,107	12,924
Primary earnings:		
Net loss	$(36,097)	$(51,121)
Preferred Stock dividends	(64)	(169)
NET LOSS	$(36,161)	$(51,290)
Primary net loss per share	$ (2.76)	$ (3.97)
FULLY DILUTED EARNINGS PER SHARE:		
Fully diluted weighted average shares of Common Stock:		
Primary weighted average shares outstanding	13,107	12,924
Assumed conversion of:		
Convertible subordinated debentures	**	**
Convertible promissory notes	**	**
Convertible Preferred Stock	**	**
TOTAL	13,107	12,924
Fully diluted earnings:		
Net loss	$(36,097)	$(51,121)
Preferred Stock dividends	(64)	(169)
Interest on convertible subordinated debentures and convertible promissory notes; net of tax	**	**
Amortization of debenture costs; net of tax	**	**
NET LOSS	$(36,161)	$(51,290)
Fully diluted net loss per share	$ (2.76)	$ (3.97)

** - The conversion of the debt and equity instruments had no effect on earnings per share as they would be anti-dilutive.

EXHIBIT 11 - STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS

SUDBURY, INC.

	NINE MONTHS ENDED	
	FEBRUARY 29, 1992 (UNAUDITED)	FEBRUARY 28, 1991 (UNAUDITED)
	(In thousands, except per share amounts)	
PRIMARY EARNINGS PER SHARE		
Weighted average shares of outstanding Common Stock	13,107	12,878
Primary earnings:		
Net loss	$(46,782)	$(56,427)
Preferred Stock dividends	(348)	(507)
NET LOSS	$(47,130)	$(56,934)
Primary net loss per share	$ (3.60)	$ (4.42)
FULLY DILUTED EARNINGS PER SHARE:		
Fully diluted weighted average shares of Common Stock:		
Primary weighted average shares outstanding	13,107	12,878
Assumed conversion of:		
Convertible subordinated debentures	**	**
Convertible promissory notes	**	**
Convertible Preferred Stock	**	**
TOTAL	13,107	12,878
Fully diluted earnings:		
Net loss	$(46,782)	$(56,427)
Preferred Stock dividends	(348)	(507)
Interest on convertible subordinated debentures and convertible promissory notes; net of tax	**	**
Amortization of debenture costs; net of tax	**	**
NET LOSS	$(47,130)	$(56,934)
Fully diluted net loss per share	$ (3.60)	$ (4.42)

** - The conversion of the debt and equity instruments had no effect on earnings per share as they would be anti-dilutive.